

EDITORIAL: Citizens' utility deal is smart move

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Much work remains before the city's water and sewer utilities are sold to Citizens Energy Group, but the general outline of the deal makes sense and deserves support—not political posturing—as final terms are hammered out.

The deal, announced March 10 by Mayor Greg Ballard, calls for Citizens to assume the city's \$1.5 billion in utility debt and pay \$425 million in cash to gain control of the water and sewer systems.

Citizens has been a good steward of the city's natural gas utility for more than 100 years. We see no reason the company wouldn't be equally careful with the city's water and sewer utilities.

Indeed, Indianapolis has a unique opportunity to place these vital assets in friendly hands. Citizens' status as a public charitable trust means ownership is essentially public, but without the political ramifications and bureaucracy usually associated with government ownership.

The biggest advantage to the deal, of course, is the \$425 million in sale proceeds that will flow to the city for infrastructure repairs and upgrades. Securing that money would be huge for a government that has blocks of crumbling sidewalks and miles of bumpy roads to contend with.

The infrastructure cash wouldn't matter if the deal were a loser in other respects, but it's a major benefit that can't be overlooked. Where else would the money come from to fix these festering problems? Taxing our way out of trouble isn't realistic, politically or economically.

Early opposition to the deal has focused on the perceived lack of public control over rate increases if the utilities aren't government-owned. Rate increases are a legitimate concern, but hand-wringing about the city's political class' relinquishing control isn't justified.

The water utility has only been owned by the city since it was purchased from Merrillville-based NiSource Inc. in 2002 for \$515 million. The city's ownership of the sewer utility predates that, but ownership shouldn't be confused with control. Federal mandates mean costly upgrades regardless of who owns the sewer system.

The state's Indiana Utility Regulatory Commission will continue to vet requests for rate increases, as it does with all utilities. Under city control, the local water utility has shown up on the IURC's docket frequently in recent years.

The commission is weighing a request for a 35-percent rate increase for capital improvements and approved an emergency 11-percent hike last year.

Rates will go up under Citizens, but by 2025 the amount consumers pay is projected to be 25 percent less under Citizens' watch than under other scenarios.

Supporting the deal doesn't mean hard questions shouldn't be asked. Citizens will have to quell fears that taking on extra debt won't impair its bond ratings, which would drive up the cost of borrowing and future projects.

On balance, though, it's difficult to see a better scenario for the city's water and sewer utilities and its deteriorated infrastructure. City and state officials should approve the deal as quickly as possible.